

C-Engrossed
Senate Bill 550

Ordered by the House June 23
Including Senate Amendments dated May 30 and June 21 and House
Amendments dated June 23

Sponsored by COMMITTEE ON FINANCE AND REVENUE

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Extends sunset on distribution of federal funds to school districts under Secure Rural Schools and Community Self-Determination Act of 2000.

Requires State School Fund grant of education service district to equal \$1 million or more when combined with local revenues of district.

Directs legislative interim committees to conduct study of adequacy of funding of small school districts and small education districts.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to school finance; creating new provisions; amending ORS 327.019 and sections 1 and 2,
3 chapter 958, Oregon Laws 2001; and declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** Section 1, chapter 958, Oregon Laws 2001, as amended by section 19, chapter 226,
6 Oregon Laws 2003, is amended to read:

7 **Sec. 1.** (1) The purpose of this section is to ensure that school districts receive a percentage
8 of amounts received by the state under the Secure Rural Schools and Community Self-Determination
9 Act of 2000 (P.L. 106-393).

10 (2) The Oregon Department of Administrative Services shall distribute all sums received by the
11 state pursuant to section 102(a)(2), (c)(1) and (d)(1)(A), P.L. 106-393, **or based on P.L. 106-393**, to
12 counties in the same manner as are sums derived from forest reserve rentals, sales of timber and
13 other sources from forest reserves under ORS 293.560. The department shall ensure that, of the total
14 amount distributed to all counties in any fiscal year, the percentage distributed to each county in
15 any fiscal year is the same as the county's percentage share of all payments received by the state
16 during the eligibility period described in section 3(2), P.L. 106-393.

17 (3) A county that receives funds from the department pursuant to subsection (2) of this section
18 as the county's share of federal funds distributed under P.L. 106-393 shall deposit 25 percent of those
19 funds in the county school fund or shall deposit an amount as specified in ORS 294.060 (3) to (6).

20 (4) Pursuant to ORS 328.015, amounts in the county school fund shall be distributed to the
21 school districts in the county based on the resident average daily membership of the school districts.

22 **SECTION 2.** Section 2, chapter 958, Oregon Laws 2001, is amended to read:

23 **Sec. 2.** Section 1 [*of this 2001 Act*], **chapter 958, Oregon Laws 2001**, is repealed on July 1,
24 [2007] **2013**.

25 **SECTION 3.** **If this 2007 Act does not become effective until after July 1, 2007, the**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 **amendments to section 2, chapter 958, Oregon Laws 2001, by section 2 of this 2007 Act revive**
2 **section 1, chapter 958, Oregon Laws 2001. If this 2007 Act does not become effective until**
3 **after July 1, 2007, this 2007 Act shall be operative retroactively to that date, and the opera-**
4 **tion and effect of section 1, chapter 958, Oregon Laws 2001, shall continue unaffected from**
5 **July 1, 2007, to the effective date of this 2007 Act and thereafter. Any otherwise lawful action**
6 **taken or otherwise lawful obligation incurred under the authority of section 1, chapter 958,**
7 **Oregon Laws 2001, after July 1, 2007, and before the effective date of this 2007 Act, is ratified**
8 **and approved.**

9 **SECTION 4.** ORS 327.019 is amended to read:

10 327.019. (1) As used in this section:

11 (a) "Education service district extended ADMw" means the sum of the extended ADMw of the
12 component school districts of the education service district as computed under ORS 327.013.

13 (b) "Local revenues of an education service district" means the total of the following:

14 (A) The amount of revenue offset against local property taxes as determined by the Department
15 of Revenue under ORS 311.175 (3)(a)(A);

16 (B) The amount of property taxes actually received by the district including penalties and in-
17 terest on taxes;

18 (C) The amount of revenue received by the district from state-managed forestlands under ORS
19 530.115 (1)(b) and (c); and

20 (D) Any positive amount obtained by subtracting the operating property taxes actually imposed
21 by the district based on the rate certified pursuant to ORS 310.060 from the amount that would have
22 been imposed by the district if the district had certified the maximum rate of operating property
23 taxes allowed by law.

24 (2) Each fiscal year, the Superintendent of Public Instruction shall calculate a State School Fund
25 grant for each education service district as provided in this section.

26 (3)(a) Each fiscal year, the superintendent shall calculate the total amount appropriated or al-
27 located to the State School Fund and available for distribution to school districts, education service
28 districts and programs + total amount of local revenues of all school districts, computed as provided
29 in ORS 327.013, + total amount of local revenues of all education service districts. The super-
30 intendent may not include in the calculation under this paragraph amounts recovered by the De-
31 partment of Education from the State School Fund under ORS 343.243.

32 (b) The superintendent shall multiply the amount calculated under paragraph (a) of this sub-
33 section by 95.25 percent.

34 (c) Based on the amount calculated under paragraph (b) of this subsection, the superintendent
35 shall calculate a funding percentage to distribute as nearly as practicable under ORS 327.006 to
36 327.133, 327.348, 327.355, 327.357 and 327.360 the total amount calculated under paragraph (b) of this
37 subsection as school district general purpose grants, facility grants, high cost disabilities grants and
38 transportation grants to school districts.

39 (d) Based on the funding percentage calculated under paragraph (c) of this subsection, the su-
40 perintendent shall calculate the general purpose grant, facility grant, transportation grant and high
41 cost disabilities grant amounts for each school district.

42 (4) The general services grant for an education service district shall equal the higher of:

43 (a) **The** total amount calculated under subsection (3)(d) of this section for the component school
44 districts of the education service district \times (4.75 \div 95.25); or

45 (b) **[\$950,000] \$1 million.**

1 (5) Subject to subsection (6) of this section, the State School Fund grant for an education service
2 district = general services grant – local revenues of the education service district.

3 (6)(a) After completing the calculations under subsections (2) to (5) of this section, the Super-
4 intendent of Public Instruction shall apportion from the State School Fund to each education service
5 district an amount = (funding percentage × general services grant) – local revenues of the educa-
6 tion service district.

7 (b) The funding percentage used in paragraph (a) of this subsection shall be calculated by the
8 superintendent to distribute as nearly as practicable the total amount available for distribution to
9 education service districts from the State School Fund for each fiscal year.

10 (7) Notwithstanding subsections (5) and (6) of this section[,]:

11 (a) The State School Fund grant of an education service district may not be less than zero; and

12 (b) **The State School Fund grant of an education service district shall be in an amount
13 that, when combined with the local revenues of the education service district, equals \$1
14 million or more.**

15 (8) An education service district shall distribute to its component school districts any amount
16 of local revenues of the education service district that is greater than the general services grant.
17 The amount that each component school district receives under this subsection shall be prorated
18 based on the district extended ADMw of each school district.

19 **SECTION 5. The amendments to ORS 327.019 by section 4 of this 2007 Act apply to State
20 School Fund distributions commencing with the 2007-2008 distribution.**

21 **SECTION 6. (1) During the 2007-2009 biennium, the legislative interim committees on
22 revenue shall conduct a study of the adequacy of funding of small school districts and small
23 education service districts. The committees shall examine:**

24 (a) **The relationship between small school districts and education service districts;**

25 (b) **Whether the additional amounts received by small school districts that are attribut-
26 able to the additional amount added to the ADMw of those districts under ORS 327.013
27 (7)(a)(F) and 327.077 and the amount awarded as grants under ORS 327.357, when combined
28 with other funding, are adequate to provide sufficient funding for those small school dis-
29 tricts;**

30 (c) **What types of small school districts are not being provided adequate funding; and**

31 (d) **The long term effects of not providing small school districts and small education
32 service districts with adequate funding.**

33 (2) **Based on the study, the legislative interim committees on revenue shall make rec-
34 ommendations to the Seventy-fifth Legislative Assembly and may pre-session file proposed
35 legislation that would implement the recommendations.**

36 **SECTION 7. This 2007 Act being necessary for the immediate preservation of the public
37 peace, health and safety, an emergency is declared to exist, and this 2007 Act takes effect
38 on its passage.**

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